

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Mark Acton, Vice Chairman; and
Robert G. Taub

Periodic Reporting
(Proposal Twelve)

Docket No. RM2015-5

NOTICE OF PROPOSED RULEMAKING ON ANALYTICAL PRINCIPLES
USED IN PERIODIC REPORTING (PROPOSAL TWELVE)

(Issued November 12, 2014)

I. INTRODUCTION

On November 7, 2014, the Postal Service filed a petition pursuant to 39 CFR 3050.11 requesting that the Commission initiate an informal rulemaking proceeding to consider changes to analytical principles relating to periodic reports.¹ It identifies the change filed in this docket as Proposal Twelve: To Establish a Cost Methodology for the Postal Service Customer Care Centers. *Id.* Attachment at 1.

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Twelve), November 7, 2014 (Petition).

The Postal Service concurrently filed public and non-public versions of a supporting Excel spreadsheet, along with an application for non-public treatment for the sealed version.²

II. SUMMARY OF PROPOSAL

Background. This proposal presents changes in the costing methodology for call centers due to a change in how these centers are staffed. Previously, the Postal Service outsourced call center positions; recently, it brought these positions in-house and converted them to clerk craft positions. Petition, Attachment at 1.

Costs associated with outsourced call center activities have been included in Cost Segment 16. *Id.* The Postal Service proposes including the bulk of FY 2014 call center expenses in Cost Segment 3 on grounds that clerks performed the bulk of call center work in FY 2014. *Id.* It identifies existing Cost Segment 3.3, Administrative Support and Miscellaneous clerk costs, as "the logical choice" for these costs because the activities are similar in nature to the activities of Claims and Inquiries clerks, and proposes creating a new cost component within Cost Segment 3.3 (Customer Care Centers, number 424).³ *Id.*

In terms of cost assignment, the Postal Service proposes that costs associated with specific inquiries relating to mail products or special services (and a proportionate share of clerk support costs) be fully attributed to those products. It proposes that costs associated with inquiries not related to products (such as ZIP Code inquiries) be treated as institutional costs. *Id.* at 2.

² Notice of Filing of USPS-RM2015-5/NP1 and Application for Nonpublic Treatment, November 7, 2014 (collectively, Application). The Application incorporates by reference the Application for Non-Public Treatment of Materials contained in Attachment Two to the December 27, 2013 United States Postal Service Fiscal Year 2013 Annual Compliance Report. Application at 1. See 39 CFR part 3007 for information on access to non-public material.

³ This proposal does not seek to change established costing methods for contractor costs associated with call centers that are included in Cost Segment 16. *Id.*

The Postal Service asserts that achieving the correct assignment of institutional and attributable costs requires several steps, states that a public spreadsheet shows the specific calculations, and provides a brief explanation. *Id.* at 2-3.

Cost impacts. The Postal Service estimates the FY 2014 clerk labor costs for the call centers at approximately \$85.1 million. *Id.* at 1. It states that under the proposed method, approximately 56 percent of the accrued call center costs would be treated as attributable. *Id.* at 5. It provides an illustration of the overall model and a table showing how the estimated FY 2014 costs would be attributed and distributed to products under the proposed methodology. *Id.* at 5-7. The table shows the impact in terms of unit attributable costs for each market dominant product. *Id.* at 6-7. The impact on the specific competitive products appears in the spreadsheet filed under seal. *Id.* at 6.

III. INITIAL COMMISSION ACTION

The Commission establishes Docket No. RM2015-5 for consideration of matters raised by the Petition. Additional information concerning the Petition may be accessed via the Commission's website at <http://www.prc.gov>. Interested persons may submit comments on the Petition no later than December 8, 2014. Reply comments are due no later than December 15, 2014. Pursuant to 39 U.S.C. 505, Cassie D'Souza is designated as an officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission establishes Docket No. RM2015-5 for consideration of the matters raised by the Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Twelve), filed November 7, 2014.
2. Comments are due no later than December 8, 2014.

3. Reply comments are due no later than December 15, 2014.
4. Pursuant to 39 U.S.C. 505, the Commission appoints Cassie D'Souza to serve as an officer of the Commission (Public Representative) to represent the interests of the general public in this docket.
5. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Shoshana M. Grove
Secretary